

Service Date: November 28, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER OF MONTANA POWER)	UTILITY DIVISION
COMPANY, Annual Application to Implement)	
its Unreflected Gas Cost, Gas Cost Tracking,)	DOCKET NO. D97.11.212
and Gas Transportation Adjustment Clause)	ORDER NO. 6026a

* * * * *

INTERIM ORDER

1. On November 7, 1997, the Montana Power Company (MPC, Applicant) filed its annual gas tracking application, which was denominated Docket No. D97.11.212. MPC seeks approval of deferred gas costs, as well as the base cost of gas for the tracking period. It also seeks to recover balances which have accrued pursuant to the Gas Transportation Adjustment Clause (GTAC). This application will result in an increase of \$860,199, which is a net effect of cost decreases from the September 1, 1996 through August 31, 1997 tracking period and the discontinuation in rates of even larger cost decreases from the September 1, 1995 through August 31, 1996 tracking period.

2. The rate and revenue impacts of the filing are as follows:

The Montana Power Company
Natural Gas Utility

Revenue Impact by Rate Class at the Proposed Tracking Market

	(A)	(B)	(C)	(D)	(E)	(G)
	<u>Proposed Adjustments</u>					
<u>Line No.</u>	<u>Residential</u>	<u>General Service</u>	<u>Utility</u>	<u>Firm Transport</u>	<u>Total</u>	
1						
2	Gas Cost Decrease	(\$1,772,753)	(\$1,157,108)	(\$32,177)		(\$2,962,038)
3						
4	Adj. Unreflected Gas Cost					
5	Balance (8/31/97)	\$ 612,174	\$ 399,577	\$11,357		\$1,023,108
6						
7	FERC Liability:					
8	3rd Year's Amortization	\$ 255,072	\$ 166,490	\$ 4,732	\$284,415	\$ 710,709
9						
10	Crown Settlement:					
11	3rd Year's Amortization	(\$ 522,898)	(\$ 341,305)	(\$ 9,700)		(\$ 873,903)
12						
13	Adj. GTAC Bal. (8/31/97)	(\$ 471,884)	(\$ 308,007)	(\$ 8,754)	(\$199,090)	(\$ 987,735)
14						
15	Net Revenue Change	(\$1,900,289)	(\$1,240,353)	(\$34,542)	(\$85,325)	(\$3,089,859)
16						
17	<u>Current Adjustments</u>					
18						
19						
20	Adj. Unreflected Gas Cost					
21	Balance (8/31/96)	(\$2,231,884)	(\$1,456,791)	(\$41,404)		(\$3,730,079)
22						
23	GTAC Balance (8/31/96)	(\$153,043)	(\$99,894)	(\$2,839)	\$113,766	(\$142,010)
24						
25	FERC Liability:					
26	Elimination of 2nd Yr Amor	\$216,812	\$141,517	\$4,022	\$241,752	\$604,103
27						
28	Crown Settlement:					
29	Elimination of 2nd Yr Amor	(\$408,116)	(\$266,385)	(\$7,571)		(\$682,072)
30						
31	Net Revenue Change	(\$2,576,231)	(\$1,681,553)	(\$47,792)	\$355,518	(\$3,950,058)
32						
33						
34	Net Rev. Impact (L15-L31)	\$675,942	\$441,200	\$13,250	(\$270,193)	\$860,199
35						

3. With respect to the above table, the Commission notes the following:
 - A. The GTAC net balance, as booked by MPC, is the difference between actual Interruptible Transportation (IT) revenues, gathering revenues, and the transportation revenues received as a result of certain capital investments, offset by the estimated IT revenues and gathering revenues reflected in the Company's latest general rate cases and costs associated with the capital investments necessary to institute IT transportation service.
 - B. The third and final years' FERC liability amortization balance has been adjusted for the actual remaining balance from the first year's amortization, which ceased upon approval of the second year's amortization in Order 5898c. This results in an increase in the unit amortization for the third year.
 - C. The third and final years' Crown Settlement amortization balance has been adjusted for the actual remaining balance from the first year's amortization which ceased upon approval of the second year's amortization in Order No. 5898c. This results in an increase in the unit refund for the third year.
4. The rate reduction from restructuring docket D96.2.22, which is a rate reduction of \$2,802,066 computed on a different market than that used in this docket, will be put into rates on the same day as the increase from this docket.
5. MPC seeks current gas cost recovery according to the following mix, which incorporates the gas mix effects of Stipulation No. 3 in Docket D96.2.22 for the period starting November 1, 1997.

PROPRIETARY

1997 - 98 Tracking Case

Gas Market/Supply/Cost

Summary

THIS PAGE IS PROPRIETARY!!!

6. PROPRIETARY!!

7. PROPRIETARY!!

8. In this docket, MPC has requested that it be allowed to bifurcate a tariff approved in Docket D96.2.22, which pertains to the CTC-GP and CTC-RA accounts. It wants to do so because its financiers desire a split between the direct charge for these items and the rate base credit associated with each of them. Currently pending Docket D97.11.219 will deal with these issues in a final way, but the Commission finds no reason why it should not bifurcate the CTC tariffs on an interim basis.

9. If there are any other differences between the tariff language in this docket and that approved in Stipulation No. 3 in Docket D96.2.22, the Commission finds that Stipulation No. 3 language shall prevail.

10. The Commission finds that the elements of the tracking filing described in the above FOF are acceptable for interim purposes.

CONCLUSIONS OF LAW

1. Montana Power Company is a corporation providing gas service within the State of Montana, and, as such, is a public utility within the meaning of Section 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over Montana Power Company's natural gas utility operations under Title 69, Chapter 3, MCA.

3. The Commission may approve increases or decreases in rates on an interim basis, pending a hearing on the merits (69-3-304).

ORDER

1. The Commission orders Montana Power Company to file rate schedules reflective of the Findings of Fact above to be effective for services rendered on and after December 1, 1997.

2. A Public Hearing may be held in the future to allow parties the option of pursuing items of interest to them.

3. Any refunds shall include interest calculated at Montana Power Company's return on equity.

DONE AND DATED at Helena, Montana, this 25th day of November, 1997, by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY McCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.